

# Implementation Statement | 2017 Stannah Pension Scheme

## Scheme year ended 31 December 2023

### Introduction

This statement sets out how, and the extent to which the Statement of Investment Principles (“SIP”) produced by the Trustees, has been followed during the year to 31 December 2023. The statement has been produced in accordance with The Pensions Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

The 2017 Stannah Pension Scheme has both a Defined Benefit (“DB”) section and a Defined Contribution (“DC”) section. The DB section has fully secured members’ benefits with annuities; remaining assets are very small and in a cash fund. As such, this document focuses on the DC section, which we refer to throughout this document as the “Scheme” for brevity.

### Purpose of this statement

This implementation statement has been produced by the Trustees of the 2017 Stannah Pension Scheme (**“the Scheme”**) to set out the following information over the year to 31 December 2023:

- how the Trustees’ policies on exercising rights (including voting rights) and engagement activities have been followed over the year.
- the voting activity undertaken by the Scheme’s investment managers on behalf of the Trustees over the year, including information regarding the most significant votes.
- a summary of any changes to the Statement of Investment Principles (SIP) over the period.
- a description of how the Trustees’ policies, included in their SIP, have been followed over the year.

### Stewardship policy

The Trustees’ Statement of Investment Principles (SIP) in force at July 2022 describes the Trustees’ stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in July 2022 and has been made available online here: <https://corporate.stannah.com/stannah-pension-governance/>

No changes were made to the stewardship policy over the year.

The Trustees have delegated the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities to the Scheme's investment managers.

At this time, the Trustees have not set stewardship priorities / themes for the Scheme but will be considering the extent that they wish to do this in due course, in line with other Scheme risks.

## Changes to the SIP over the year

There were no changes to the SIP over the year as the Scheme did not change investment strategy.

## How voting and engagement/stewardship policies have been followed

Based on the information provided by the Scheme's investment managers, the Trustees believe that their policies on voting and engagement have been met in the following ways:

- The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme's fund managers.
- The Trustees received and reviewed voting information and engagement policies from the fund managers (e.g. in preparing this Implementation Statement), which they reviewed to ensure alignment with their own policies. The Trustees believe that the voting and engagement activities undertaken by the fund managers on their behalf have been in the members' best interests.
- As part of the Trustees' ongoing monitoring, the fund managers report on their adherence to the UK Stewardship Code on an annual basis.
- Having reviewed the above in accordance with their policies, the Trustees are comfortable that the actions of the fund managers are in alignment with the Scheme's stewardship policies.

## How the SIP has been followed over the year

In the Trustees' opinion, the Statement of Investment Principles has been followed over the year in the following ways:

- The Scheme offers a suitable default strategy for members. This was reviewed in July 2022 and appropriate changes made based on the membership profile of the Scheme.

- Their platform provider, Scottish Widows, provides quarterly reports for review.
- The Trustees considered the ESG capabilities of each of the Scheme's fund managers as part of the triennial investment strategy review and agreed that the managers' policies are reasonable.
- The Trustees regularly review the ESG capabilities of the fund managers as part of the quarterly monitoring process.

**Prepared by the Trustees of the 2017 Stannah Pension Scheme  
July 2024**

## Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Scheme's Portfolio on behalf of the Trustees over the year to **31 December 2023**. The cash fund with BlackRock and the Fixed Income fund with Standard Life (namely the BlackRock Sterling Liquidity Fund and the Standard Life Corporate Bond Fund) have no voting rights and a limited ability to engage with key stakeholders given the nature of the mandate. We have therefore excluded these funds from the table below.

Manager	Artemis	Baillie Gifford	LGIM	Meridian	BNY Mellon Newton	Schroders				
<b>Fund name</b>	SmartGARP Paris-Aligned Global Equity Fund	UK Equity Fund	Global Equity Market Weights (30:70) Index Fund – GBP 75% Currency Hedged	Diversified Fund	Retirement Income Multi-Asset Fund	Global Equity Fund	Global Equity Fund	Global Balanced Fund	UK Equity Fund	Diversified Growth Fund
<b>Structure</b>	Pooled									
<b>Ability to influence voting behaviour of manager</b>	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.									
<b>No. of eligible meetings</b>	161	63	7,128	9,077	10,288	85	62	63	54	1,114
<b>No. of eligible votes</b>	2,252	1,145	72,933	94,290	106,017	1,492	1,041	1,172	1,117	14,227
<b>% of resolutions voted on</b>	100%	99.3%	99.9%	99.8%	99.8%	100.0%	100.0%	100.0%	100%	93.8%
<b>% of resolutions abstained from<sup>1</sup></b>	0.0%	0.4%	0.5%	0.3%	0.3%	0.1%	0.1%	0.0%	0.0%	0.5%

Manager	Artemis	Baillie Gifford	LGIM			Meridian	BNY Mellon Newton			Schroders
<b>% of resolutions voted with management<sup>1</sup></b>	90%	97.3%	81.0%	76.4%	77.4%	93.9%	89.2%	90.3%	95.6%	89.0%
<b>% of resolutions voted against management<sup>1</sup></b>	9.0%	2.3%	18.5%	23.4%	22.4%	6.1%	10.7%	9.7%	4.4%	11.0%
<b>Proxy voting advisor employed</b>	Artemis have their own voting policy which uses ISS to facilitate its implementation.	Baillie Gifford employ both ISS and Glass Lewis as proxy advisors; however, all decisions are made in-house in line with their own policies.	LGIM use ISS as their proxy advisor however all decisions are made by LGIM in line with their own policies.			Meridian employs ISS as their proxy advisor, however all voting decisions are made in-house.	Newton utilises an independent voting service provider for the purposes of managing upcoming meetings and instructing voting decisions via its electronic platform, and for providing research. Its voting recommendations of are not routinely followed; it is only in the event that they recognise a potential material conflict of interest as described above that the recommendation of the external voting service provider will be applied.			Institutional Shareholder Services (ISS) act as Schroders' one service provider for which they have their own bespoke policy.
<b>% of resolutions voted against proxy voter recommendation<sup>1</sup></b>	0%	Not provided	10.6%	14.6%	13.6%	Not provided	5.7%	6.5%	2.3%	7.4%

<sup>1</sup> As a percentage of the total number of resolutions voted on

## Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustees over the year to be set out. The guidance does not currently define what constitutes a “significant” vote. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme’s stewardship priorities / themes. At this time, the Trustees have not set stewardship priorities / themes for the Scheme but will be considering the extent that they wish to do this in due course, in line with other Scheme risks. So, for this Implementation Statement the Trustees have agreed to adopt the criteria used by their fund managers for determining what they believe to be a “significant vote”. The Trustees have not communicated voting preferences to their investment managers over the period, as the Trustees are yet to develop a specific voting policy. In future, the Trustees will consider the most significant votes in conjunction with any agreed stewardship priorities / themes.

Artemis, Baillie Gifford, LGIM, Meridian and BNY Mellon Newton have provided a selection of votes, that that they deemed to be significant. In the absence of agreed stewardship priorities / themes, the Trustees have selected up to 3 votes from each manager where provided, that cover a range of themes to represent what it considers the most significant votes cast on behalf of the Scheme. To represent the most significant votes, the votes of the largest holdings relating to each topic are shown below. Schroders did not provide any significant votes.

### Artemis, SmartGARP Paris-Aligned Global Equity Fund

The manager only provided examples of 2 significant votes.

	Vote 1	Vote 2
<b>Company name</b>	Sinotrans Limited	
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	1.14%	
<b>Summary of the resolution</b>	Approve Estimated Guarantees of the Company	Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights for H Shares
<b>How the manager voted</b>	Against	Against
<b>Rationale for the voting decision</b>	This is occasionally done on a case-by-case basis.	This is occasionally done on a case-by-case basis.
<b>Outcome of the vote</b>	The resolution passed	The resolution passed
<b>Implications of the outcome</b>	No further comments	No further comments
<b>Criteria on which the vote is considered “significant”</b>	Artemis consider a vote against management where they hold more than 1% of shares significant	

## Baillie Gifford, UK Equity Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Rio Tinto PLC	Ocado Group PLC	Unilever PLC
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	4.47%	0.33%	3.89%
<b>Summary of the resolution</b>	Share Repurchase	Remuneration	Remuneration
<b>How the manager voted</b>	For	Against	For
<b>Rationale for the voting decision</b>	Baillie Gifford supported a resolution to authorise market purchase of ordinary shares as they were comfortable with the proposed terms.	Baillie Gifford opposed the remuneration report due to concerns over the tranche of the VCP and the lowered targets, which they do not find sufficiently stretching.	The change in CEO has led to an increase in the base pay of 18% - he will have negotiated his pay package when taking the job, but future large increases out of step with the wider workforce should be monitored for moving forward.
<b>Outcome of the vote</b>	Pass	Pass	Fail
<b>Implications of the outcome</b>	Baillie Gifford will continue to monitor the suitability of share repurchase authorities on a case-by-case basis.	This was a vote on the implementation of the previously approved 3-year policy. At the time of the vote on the remuneration policy Baillie Gifford contacted the company to reconfirm their decision to oppose the extension to the value creation plan. Baillie Gifford have concerns regarding the potential size of awards and in addition believe that given that this plan sits alongside an annual bonus scheme believe that the growth rate threshold should be set higher.	Future large increases out of step with the wider workforce should be monitored for moving forward.
<b>Criteria on which the vote is considered "significant"</b>	These votes were significant as they received more than 20% opposition.		

## Legal & General Investment Management, all growth funds

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Microsoft Corporation	Shell Plc	BP Plc
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	2.90%	2.10%	1.10%

	Vote 1	Vote 2	Vote 3
<b>Summary of the resolution</b>	Elect Director Satya Nadella	Approve the Shell Energy Transition Progress	Re-elect Hugh Lund as Director
<b>How the manager voted</b>	Against	Against	Against
<b>Rationale for the voting decision</b>	A vote against was applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.	A vote against was applied, though not without reservations. LGIM acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, LGIM remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations.	A vote against was applied due to governance and board accountability concerns. Given the revision of the company's oil production targets, shareholders expect to be given the opportunity to vote on the company's amended climate transition strategy at the 2023 AGM. Additionally, LGIM note concerns around the governance processes leading to the decision to implement such amendments.
<b>Outcome of the vote</b>	N/A	The resolution passed	Not provided
<b>Implications of the outcome</b>	LGIM will continue to engage with their investee companies, publicly advocate their position on these issues and monitor company and market-level progress.		
<b>Criteria on which the vote is considered "significant"</b>	LGIM considers this vote to be significant as it is an application of an escalation of their vote policy on the topic of the combination of the board chair and CEO.	LGIM is publicly supportive of so called "Say on Climate" votes. They expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.	LGIM consider this vote to be significant given their long-standing engagement with the company on the issue of climate.

## Meridian, Global Equity Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Kubota Corp.	The Walt Disney Company	Aena S.M.E. SA
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	1.03%	1.23%	0.91%
<b>Summary of the resolution</b>	Elect Director Kitao, Yuichi	Report on Political Expenditures	Re-elect Juan Ignacio Diaz Bidart as Director
<b>How the manager voted</b>	Against Management	Against Management	Against Management



	Vote 1	Vote 2	Vote 3
<b>Rationale for the voting decision</b>	While MFS may engage with issuers ahead of our vote at a shareholder meeting, we may not disclose our final vote decisions that are considered on a case-by-case basis prior to the meeting.		
<b>Outcome of the vote</b>	Not disclosed	The resolution passed	The resolution passed
<b>Implications of the outcome</b>	MFS embrace opportunities to engage with issuers on issues such as this, and seek productive dialogues around gender diversity and the broader diversity among directors.	Understanding the initiatives that the company supports through its political contribution efforts allows MFS as shareholders to better gauge how the company views and manages the potential risks associated with its direct and indirect political contribution expenditures.	MFS will continue to monitor attendance levels and vote against directors as appropriate. MFS embrace opportunities to engage with companies on issues such as this.
<b>Criteria on which the vote is considered "significant"</b>	MFS considers a vote significant if it has one of the following characteristics: the vote is linked to certain engagement priorities, the vote considered engagement with the issuer or the vote relates to certain thematic or industry trends.		

### Newton (BNY Mellon), UK Equity Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	St. James's Place Plc	Danaher Corporation	BP Plc
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	1.5%	1.0%	4.5%
<b>Summary of the resolution</b>	Re-elect Emma Griffin as Director	Elect Director Teri List	Approve Remuneration Report
<b>How the manager voted</b>	Against	Against	Against
<b>Rationale for the voting decision</b>	BNY Mellon voted against the re-election of the members of the compensation committee in line with their voting recommendation on executive remuneration arrangements.	BNY Mellon voted against the re-election of incumbent members of the audit committee owing to their failure to effectively oversee significant pledging activity.	BNY Mellon voted against executive remuneration arrangements due to a misalignment between pay and performance.
<b>Outcome of the vote</b>	The resolution passed	The resolution passed	The resolution passed
<b>Implications of the outcome</b>	BNY Mellon expects the company to understand that a considerable proportion of their shareholder base do not favour "windfall" gains for executives and account for this in the future years which is depicted by the dissent shown on the underlying remuneration report proposal.	When put into context of director elections, it is rare for an individual to attract such a high level of dissent and it is noted that the majority of the company's directors received significant levels of support. BNY Mellon feel the dissent would only increase if the company doesn't take	The significant shareholder dissent will push the company to reform its practices and increase its engagement on the topic to improve disclosure and practices.

	Vote 1	Vote 2	Vote 3
		necessary steps to address these concerns.	
<b>Criteria on which the vote is considered "significant"</b>	Pay is an important tool in the hands of the board to correctly motivate management team, and BNY Mellon consider voicing concerns around pay practices our duty as significant shareholders.	BNY Mellon highlighted this vote as significant as they expect to continue recognising Danaher's fundamental governance concerns through BNY Mellon's voting and engagement activities.	BNY Mellon deemed this resolution significant as, during their engagements with the company, BNY Mellon did not appreciate the rationale given for the downward adjustments.

## Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustees. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds.

Engagement activities are limited for the Scheme's cash funds due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

Artemis Global Equity Fund does not provide number of engagements.

Manager	Artemis	Baillie Gifford	LGIM	Meridian	Newton	Schroders
<b>Fund name</b>	SmartGARP Paris-Aligned Global Equity Fund	UK Equity Fund	Global Equity Market Weights (30:70) Index Fund – GBP 75% Currency Hedged Diversified Fund Retirement Income Multi-Asset Fund Pre-Retirement Fund	Global Equity Fund	Global Equity Fund Global Balanced Fund UK Equity Fund	Diversified Growth Fund
<b>Number of engagements undertaken on behalf of the holdings in this fund in the year</b>	166	17	Global Equity MW Fund – 1,135 Diversified Fund – 1,874 Retirement Income Multi-Asset Fund – 1949 Pre-Retirement Fund – 168	27	Global Equity Fund – 15 Global Balanced Fund – 10 UK Equity Fund – 14	1402
<b>Number of entities engaged on behalf of the holdings in this fund in the year</b>	N/A	13	Global Equity MW Fund – 775 Diversified Fund – 1,486 Retirement Income Multi-Asset Fund – 1549 Pre-Retirement Fund – 82	19	Global Equity Fund – N/A Global Balanced Fund – N/A UK Equity Fund – 4	395

Manager	Artemis	Baillie Gifford	LGIM	Meridian	Newton	Schroders
<b>Number of engagements undertaken at a firm level in the year</b>	863	744	2486	139	58	13448

## Examples of engagement activity

Some examples of engagement activities for each of the investment managers have been provided below.

### Baillie Gifford, UK Equity Fund

#### **Wizz Air Holdings Plc:** Environment

Baillie Gifford engaged with Wizz Air on three material ESG issues: its decarbonisation pathway, safety and employee oversight, and customer service policy reform. To reach the emissions target Wizz Air is focusing on renewal of its fleet. Wizz Air have one of the youngest fleets and as such one of the more efficient operators. They measure well against the standard metric of Carbon Dioxide per revenue passenger kilometre. Wizz Air do not have their own explicit Sustainable Aviation Fuel (SAF) commitment like other airlines due to lack of visibility within the supply chain. Wizz Air have invested heavily in their customer service systems to address earlier shortcomings, and the measures it is taking seem comprehensive.

The engagement reinforced the difficulties that the aviation industry faces to decarbonise. It also highlighted the dependence on plane manufacturers as well as the supply of SAF when looking to decarbonise. Baillie Gifford were reassured by the level of board oversight and the progress Wizz Air was able to demonstrate with regards to client management.

### LGIM, firm level

#### **Volkswagen:** Human Rights

Volkswagen (VW) opened a plant in Urumqi, Xinjiang in 2013 via one of its joint ventures. Multinational corporations have faced allegations of using forced labour in their operations in this region and in late 2022, MSCI assigned a red controversy flag to VW.

LGIM have engaged with VW via multiple avenues including: in person, conference calls and written correspondence. From these engagements VW were happy to engage and provide reassurance on the issue raised. They obtained an independent audit of the plant in Xinjian, this was carried out in 2023, and following the audit MSCI removed their red flag. This also means LGIM may now participate in new bond issuances with VW.

LGIM will continue to engage with VW on the subject of human rights and other governance topics, including the long-term future of the plant in Xinjiang.

## **Newton (BNY Mellon), all growth funds**

### **Shell:** Climate Transition Plan

Newton engaged with Shell over the year to discuss the new climate transition plan they will be announcing in March 2024. The Chair reiterated the message that their initial transition thinking was maybe too ambitious. Unlike some of their US competitors, for Shell it is not a question of whether the transition is occurring; it fundamentally believes in its scenarios where transition to a low carbon economy will occur, albeit slowly and with more bumps than initially planned.

In 2024, Shell will announce some sort of absolute Scope 3 target on the transportation sector or the hardest to abate sector, this will not be in line with what shareholders want, but, will be an improvement on the previous transition plan.

## **Artemis, Global Equity Fund**

### **Barclays:** Climate change

Artemis has engaged with Barclays to discuss the bank's approach to climate change, both risks and opportunities. Barclays has committed to becoming a net-zero bank by 2050 and aligning its financing with the goals of the Paris Agreement. They have developed a methodology to measure financed emissions and have joined the Net Zero Banking Alliance. However, phasing out fossil fuel financing in the short term is challenging, so Barclays is working with clients and companies to facilitate their transition. Artemis also discussed board composition and the departure of the CEO with Barclays. The bank has set 2030 targets aligned with the IEA's 1.5 degrees centigrade scenario and has assessed financed emissions for various sectors, including auto manufacturing and UK Residential Estate portfolio. Barclays is investing in internal expertise and plans to set targets for high-emitting sectors and phase out financing for coal-fired power generation. Artemis's engagement with Barclays on this topic continues.